25th Annual "State of Logistics Report®"
UPDATE

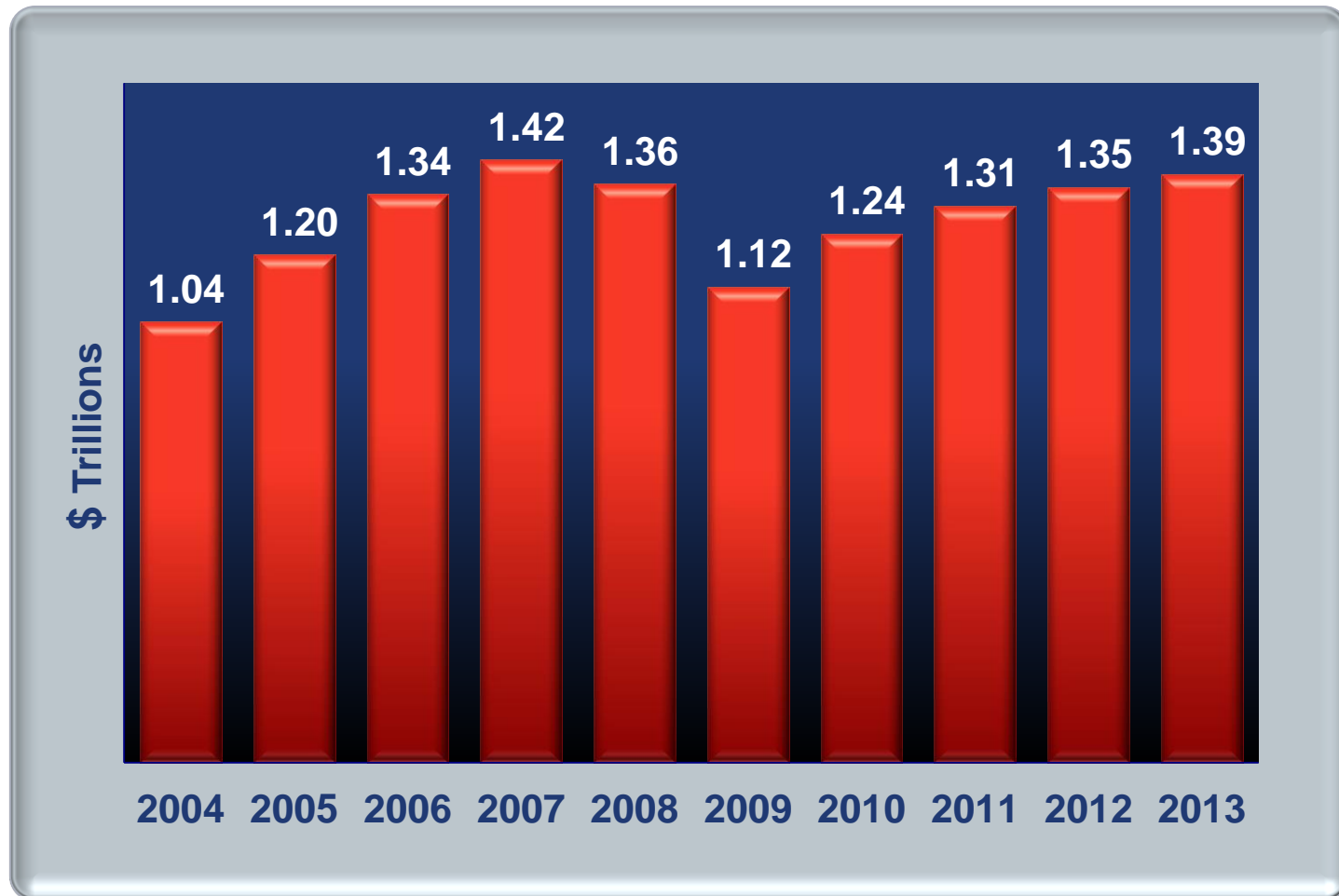# *Ready for a New Route?*

Stifel Nicolaus
November 10, 2014

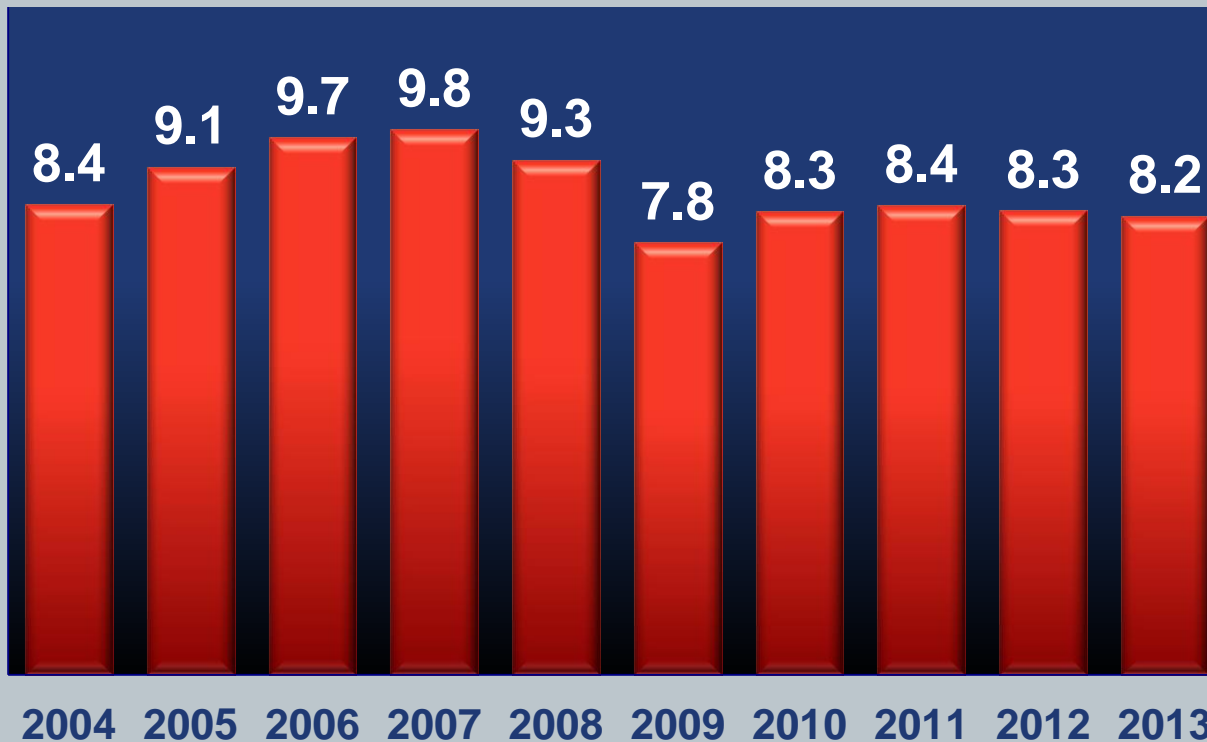**Rosalyn Wilson**

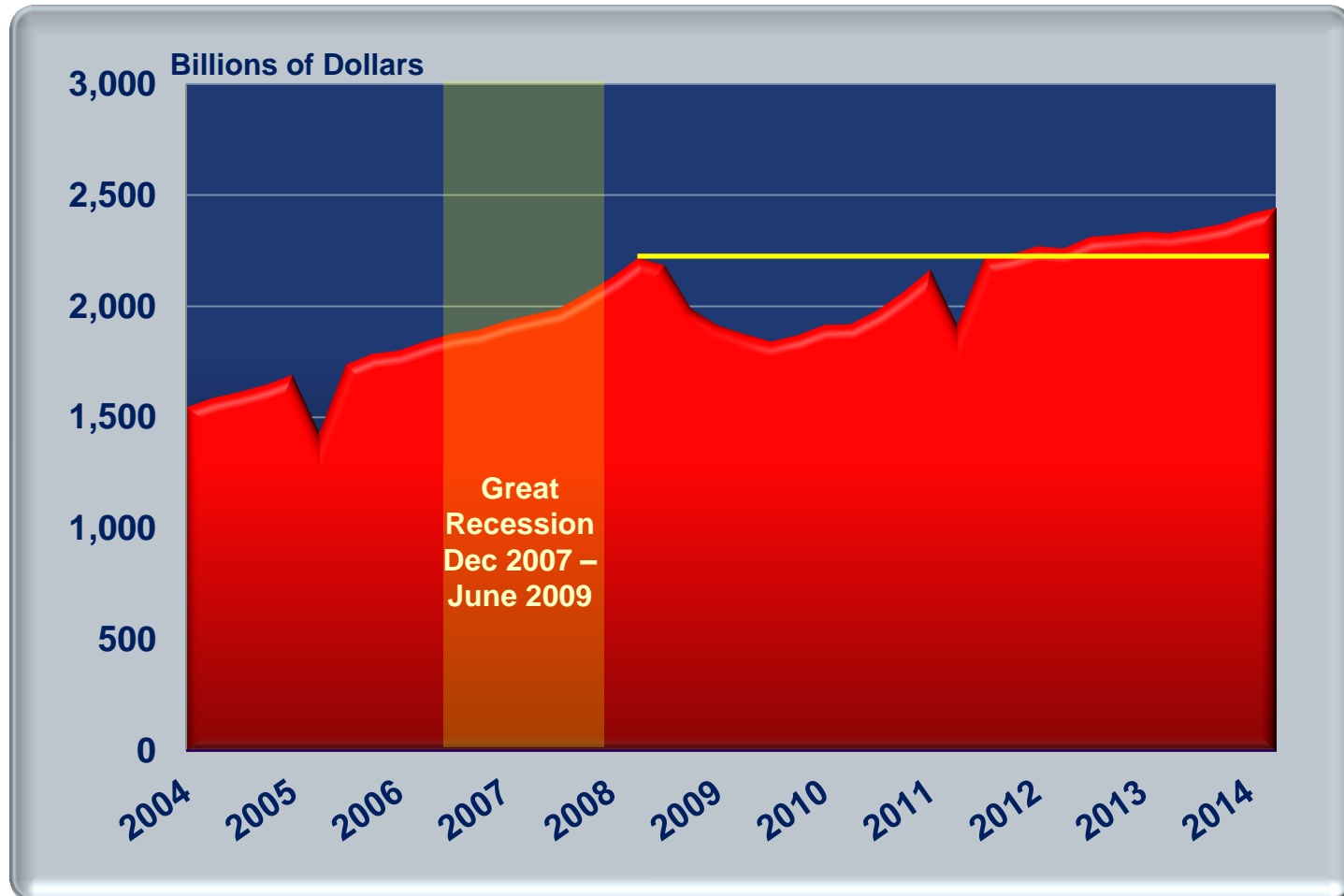Rosalyn.Wilson@Parsons.com

703-587-6213

U.S. Business Logistics Costs

Note: Revised to reflect updates in BEA Private Inventories series.

Logistics Cost As A Percent of GDP

Percent

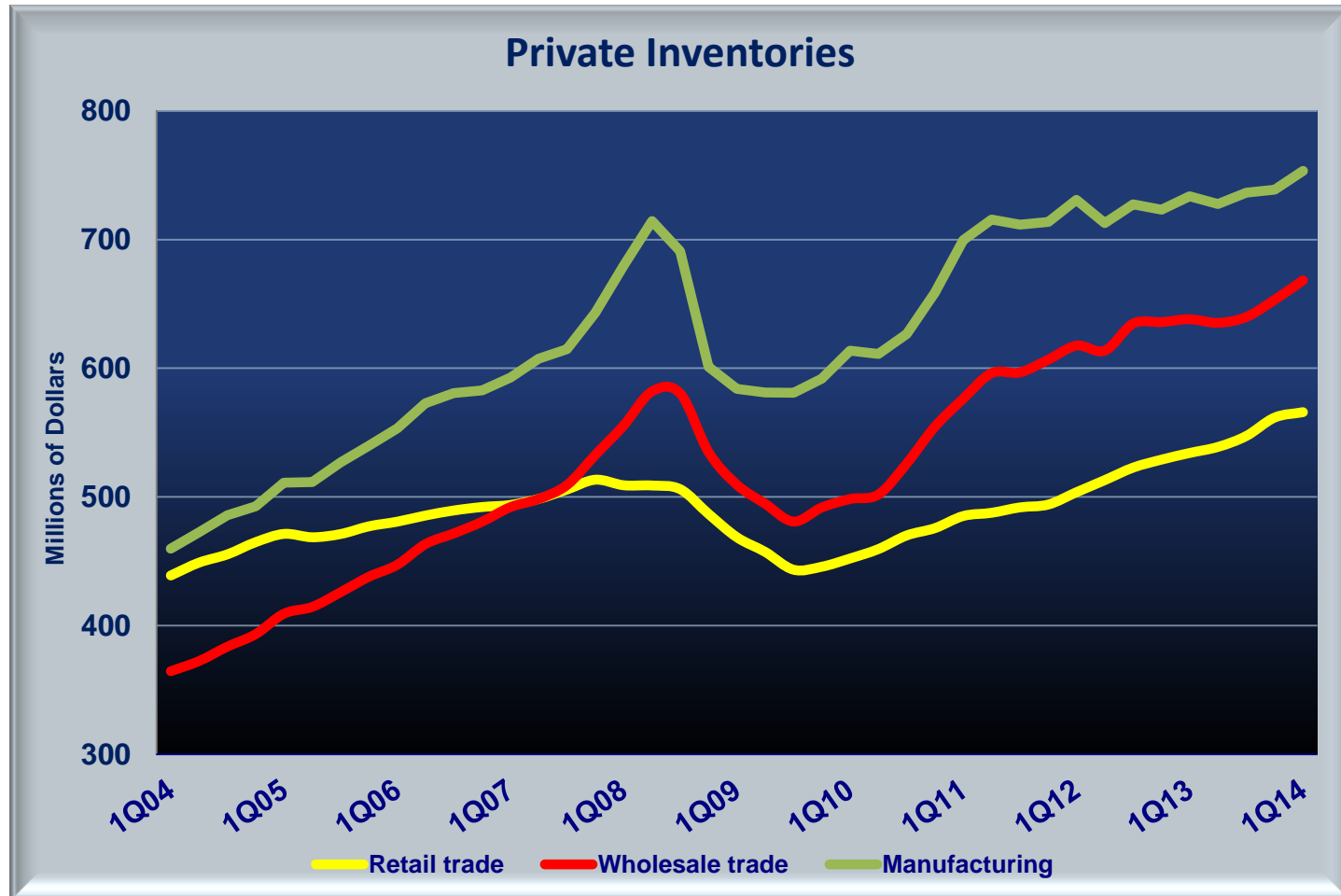| Year	Value
2004	8.4
2005	9.1
2006	9.7
2007	9.8
2008	9.3
2009	7.8
2010	8.3
2011	8.4
2012	8.3
2013	8.2

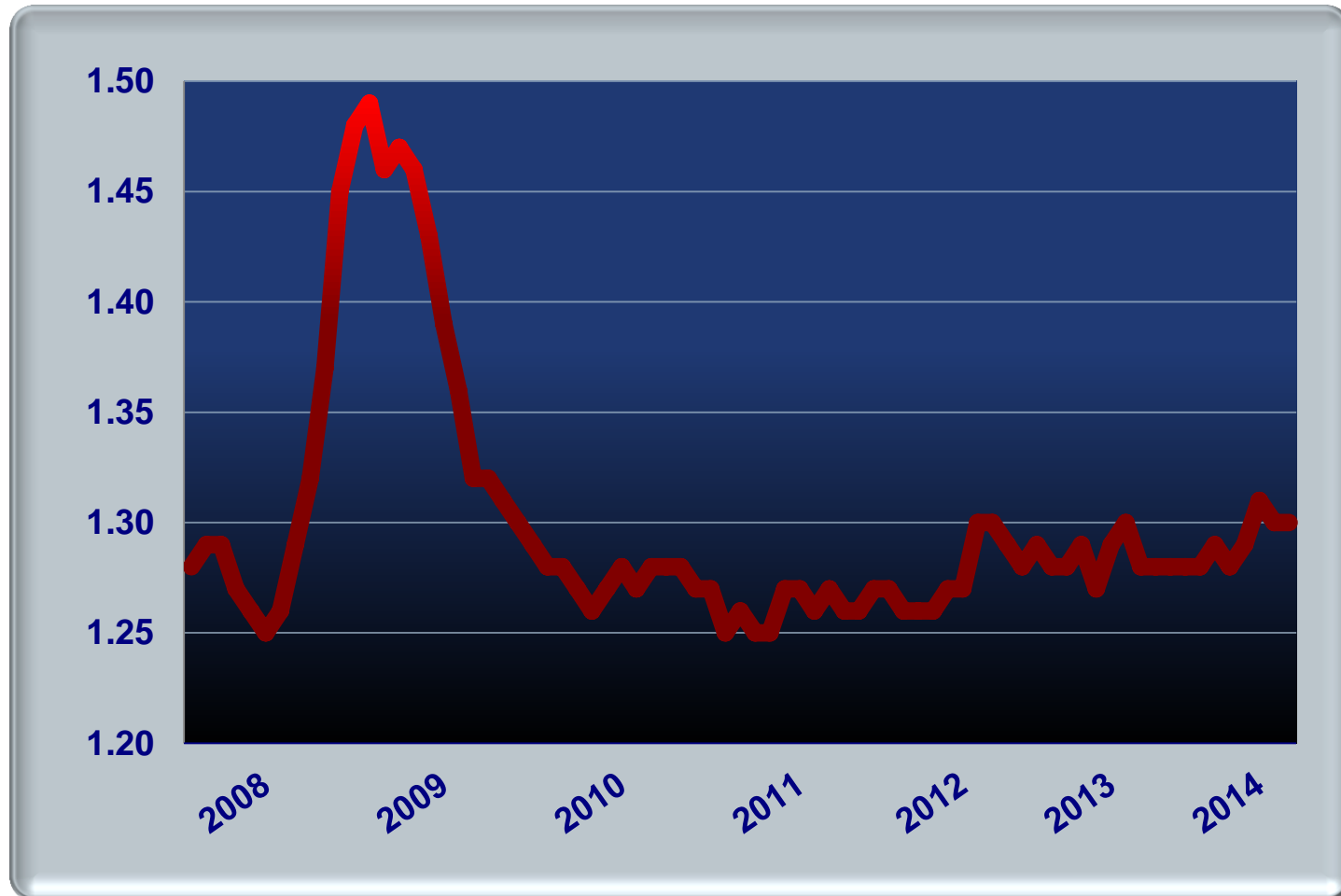# Total U.S. Business Inventories

Source: U.S. Department of Commerce, Census Bureau

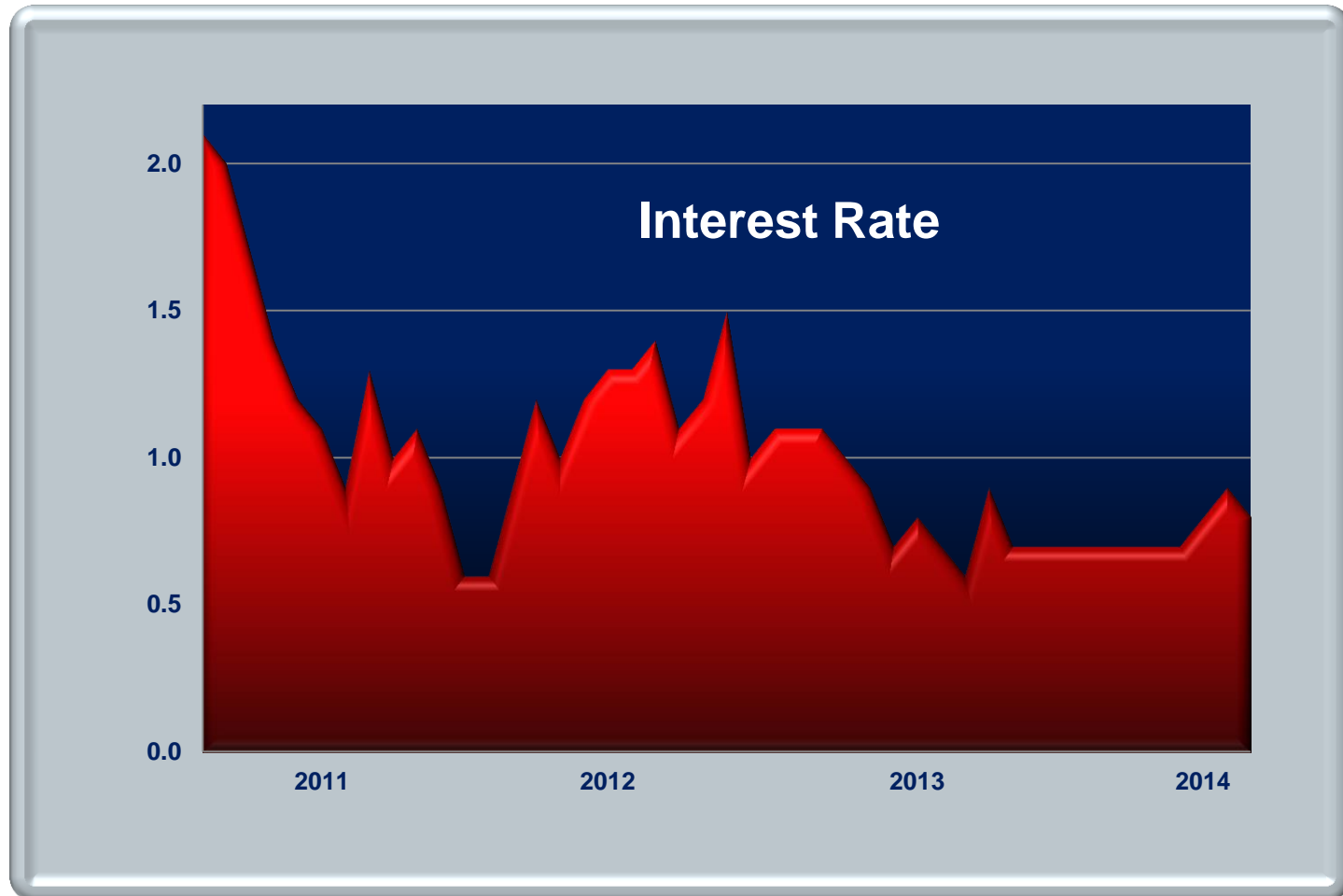# Inventories Continue to Climb

Source: U.S. Department of Commerce, Census Bureau

The Inventory to Sales Ratio Is On the Rise

Source: U.S. Department of Commerce, Census Bureau
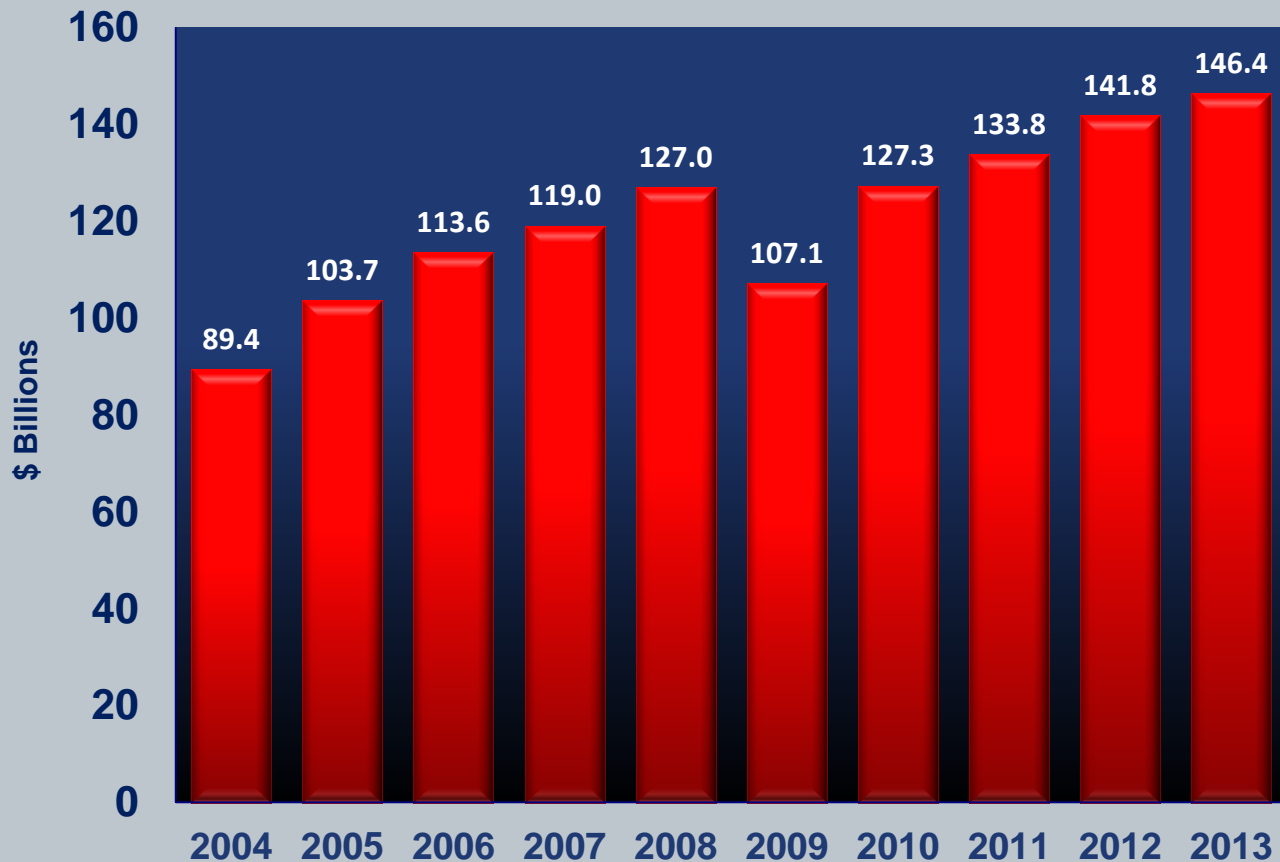
Inventory Carrying Costs

Source: Board of Governors of the Federal Reserve System

The U.S. Business Logistics System Cost is the Equivalent of 8.2 Percent of Current GDP in 2013

	$ Billions
Carrying Costs - $2.459 Trillion All Business Inventory	
Interest	2
Taxes, Obsolescence, Depreciation, Insurance	330
Warehousing	137
Subtotal	**469**
Transportation Costs	
Motor Carriers	
Truck – Intercity	*453*
Truck – Local	*204*
Subtotal	**657**
Other Carriers	
Railroads	*74*
Water (International 30, Domestic 7)	*37*
Oil Pipelines	*13*
Air (International 13, Domestic 20)	*33*
Forwarders	*38*
Subtotal	**195**
Shipper Related Costs	**10**
Logistics Administration	**53**
TOTAL LOGISTICS COST	**1385**

Carrying Costs — **Up 2.8%**

Transportation Costs — **Up 2.0%**

Total Logistics Cost — **Up 2.3%**

May not sum to total due to rounding

U.S. Third Party Logistics Market

Source: Armstrong and Associates

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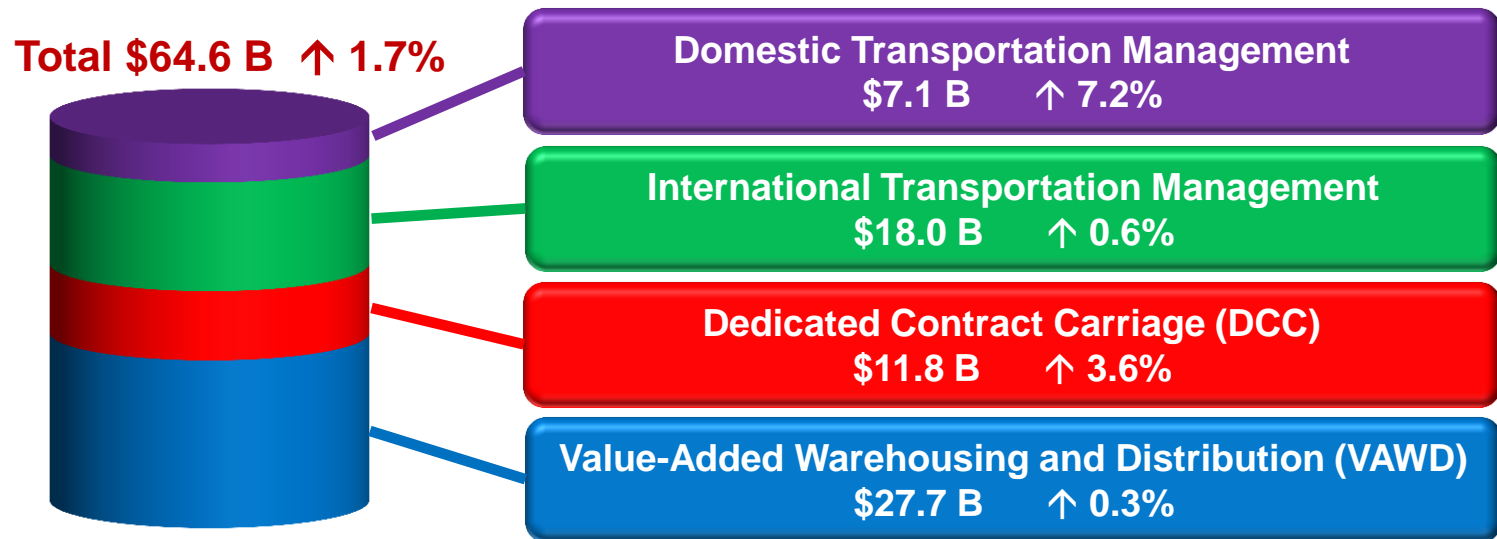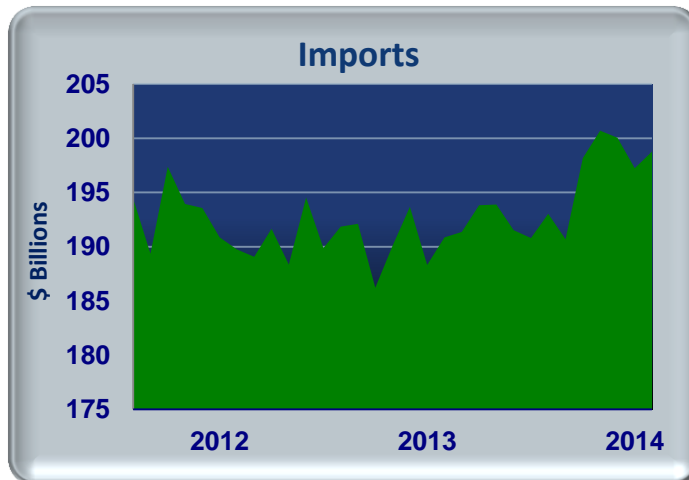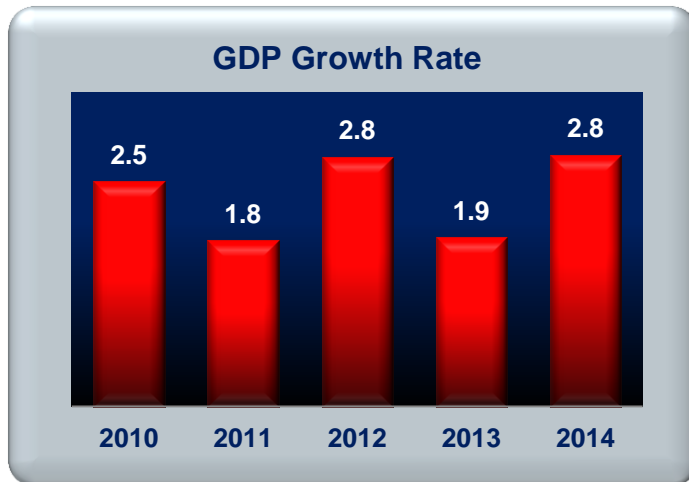
U.S. 3PL Market Segments 2013 Net Revenue

- Freight forwarder revenue rose 4.2 percent in 2013
  - Slow growth globally, but strong domestic growth
  - Concerns about capacity issues and service issues have pushed shippers to turn to third party providers to ensure the capacity they need when they need it

U.S. 3PL Market Segments 2013 Net Revenue

Total $64.6 B ↑ 1.7%

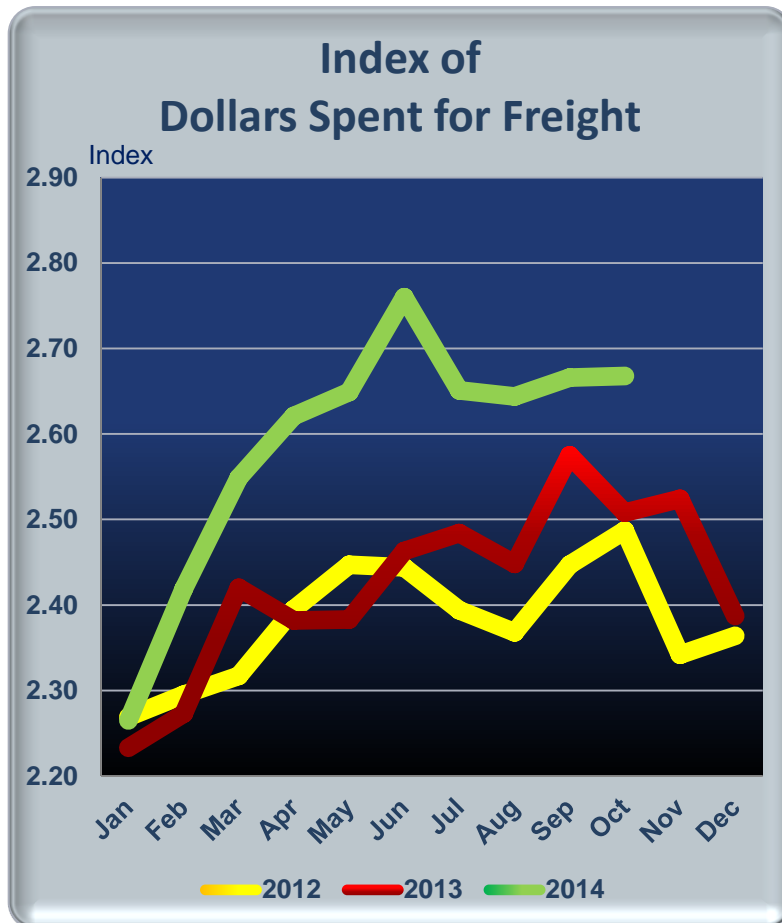**Domestic Transportation Management**
$7.1 B   ↑ 7.2%

International Transportation Management
$18.0 B   ↑ 0.6%

Dedicated Contract Carriage (DCC)
$11.8 B   ↑ 3.6%

Value-Added Warehousing and Distribution (VAWD)
$27.7 B   ↑ 0.3%

What does the economy look like in 2014?

GDP Growth Rate

2010	2011	2012	2013	2014
2.5	1.8	2.8	1.9	2.8

Unemployment Rate

Labor Participation Rate

Imports

Exports

Source: Federal Reserve Bank of St. Louis

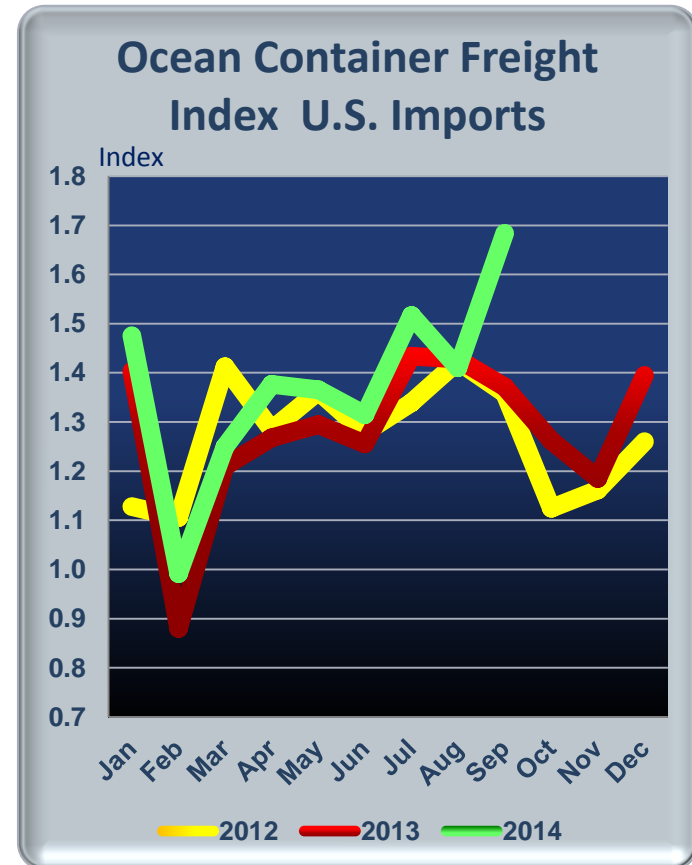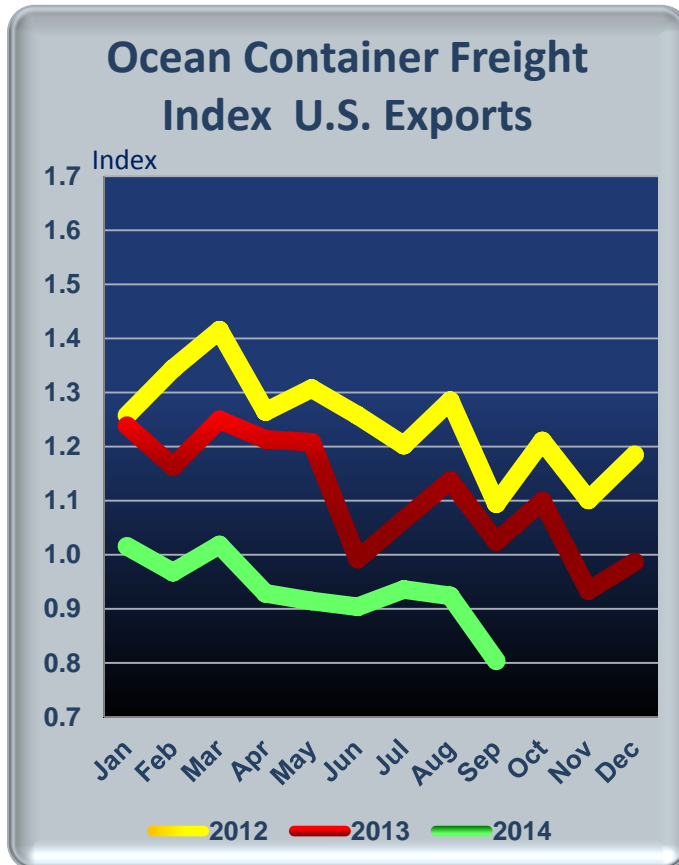# How has the logistics industry performed in 2014?

Cass Monthly Freight Indexes

Source: Cass Logistics, Cass Freight Index, January 1990 = 1.0

How has the logistics industry performed in 2014?

Cass/INTTRA Monthly Ocean Container Indexes

Source: Cass Logistics, Cass/INTTRA Ocean Container Index, January 2010 = 1.0

The U.S. Business Logistics System Cost in 2014

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TOTAL LOGISTICS COST	**1385**

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First half of 2014

Interest is down, but inventory is up, TODI & warehousing up

Volume is up, and rates are climbing

RR volume and rates are up, Container shipments are up, inland water is holding its own, air is flat, 3PLs are up

Summing Up

- 2014 will be the best year we have experienced in the last 8 years

- The first ten months of 2014 have had the strongest freight performance since the end of the Great Recession
  - Freight shipments are up 11.2 percent
  - Freight payments are up 11.8 percent

- The economy itself is climbing out its doldrums – rising GDP, improving production, new orders and backlogs

- My expectations for the rest of 2014 are
  - continued freight improvement – no precipitous drop in 4th quarter
  - more capacity problems – both truck and rail, and especially portside

- Looking ahead to 2015
  - higher rates (8 to 10% range!) – no later than second quarter
  - truck drivers, or the lack of, will rise to the top problem for the entire economy
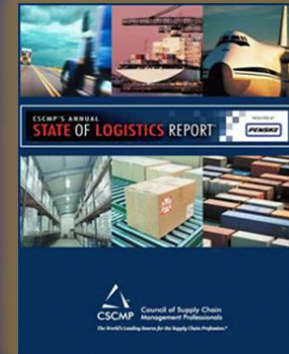 - Continued problems at ports handling larger TEU ships

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Questions? Contact me at:

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Copies of the
State of Logistics Report
are available from CSCMP at
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